

National Energy Action (NEA) response to Ofgem's Draft Consumer Vulnerability Strategy 2025



Action for Warm Homes

About National Energy Action (NEA)

NEA¹ works across England, Wales and Northern Ireland to ensure that everyone in the UK² can afford to live in a warm, dry home. To achieve this we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

Background to our response

NEA warmly welcomes Ofgem's draft Consumer Vulnerability Strategy 2025. NEA's delivery activities and advocacy priorities are closely aligned with the five key aims of the Strategy and we aim to drive strong improvements for consumers in vulnerable situations:

- **Improving identification of vulnerability and smart use of data** through our advocacy on the digital economy act which has helped energy suppliers to identify households with certain needs, cutting the costs of delivering the Warm Home Discount.
- **Supporting those struggling with their bills** through our continued participation in Warm Home Discount industry initiatives, and other similar schemes. Last year (2017/18) we led five industry initiative schemes, helping approximately 4,000 people with their energy bills.
- **Driving a step change in customer service for vulnerable groups** through our training courses, including "Identifying Fuel Poverty and Vulnerability". Each year we train approximately 3,000 frontline staff, who will go on to help an estimated one million people.
- **Encouraging positive and inclusive innovation through innovation projects**, such as our "Technology Innovation Fund" where overall over 44 projects were awarded funding (with an additional two programmes granted funding in 2017), involving 19 types of technology and 66 products, all targeted at people in vulnerable situations.
- **Working with partners to tackle issues that cut across multiple sectors** within our project with Northumbrian Water to identify the options for jointly combating water and fuel poverty together, bringing learnings and insights across the two sectors to more effectively provide support in the North East, and ultimately the rest of Great Britain

Ofgem's statutory duties require them to consider the needs of particular vulnerable groups of consumers; including those households living on low incomes³ and we strongly support the draft strategy's proposed focus and outcomes on affordability. NEA has worked alongside other consumer groups and Ofgem to secure other improvements⁴ in the treatment of domestic energy customers. Within this response NEA highlights further key actions which are now required to safeguard vulnerable domestic customers, particularly those living on the lowest incomes. NEA also calls on Ofgem to ensure the Consumer Vulnerability Strategy is embedded across the breadth of Ofgem and the UK Government's on-going work streams. For example:

- Within the administration of UK Government schemes via E-serve;
- Within the enforcement of current or future licence conditions;
- Within the regulation of electricity and gas distribution companies;
- In the response to BEIS and Ofgem's consultation on a flexible retail market which is considering critical issues which effect consumer protections and provision for vulnerable customers;
- When Ofgem provide advice to the UK Government within their assessment of whether the conditions exist for effective competition and whether to remove the Default Cap.

Summary and key recommendations

Ofgem have made significant progress in the current CVS and the draft CVS 2025 proposes further progress in several key areas. As noted above, we also warmly welcome each of the five key themes set out in the document and feel they should ensure good outcomes for vulnerable consumers in the period up to 2025. We especially welcome the inclusion of the following:

- The commitment to create an analytical framework to consistently assess the impact of Ofgem's policies on particular groups of consumers in vulnerable situations in the first year of the strategy.
- The commitment to introduce a requirement on gas network companies to adhere to a vulnerability principle, similar to the obligation that we have placed on gas and electricity suppliers. A clear focus on identifying vulnerability, as well as ensuring that once identified, those customers receive the most appropriate customer protection.
- The commitment to strengthen protections to protect consumers in vulnerable situations from self-disconnecting from their pre-payment meters.

Whilst this represents excellent progress, NEA calls on Ofgem to ensure the Consumer Vulnerability Strategy is embedded across the breadth of Ofgem's and the UK Government's on-going work streams:

- Within the administration of UK Government schemes via E-serve
- Within the enforcement of current or future licence conditions
- Within the regulation of electricity and gas distribution companies
- In the response to BEIS and Ofgem's consultation on a flexible retail market which is considering critical issues which effect consumer protections and provision for vulnerable customers
- When Ofgem provide advice to the UK Government within their assessment of whether the conditions exist for effective competition and whether to remove the Default Cap.

Ofgem must also go further in order to strengthen the five priorities for action in the first year of the strategy:

Theme 1 – Improving Identification of Vulnerability and smart use of data

- As well as acting on current powers which already allow suppliers to identify those in financial difficulty and need most protection from price rises, Ofgem must also work with the UK Government to extend powers under the Digital Economy Act to allow energy network companies to undertake direct data matching processes with the Department for Work and Pensions (DWP), independent of licenced gas and electricity suppliers. This can lead to much more effective direct support being provided to vulnerable customers and is necessary given the increased targeting being required by GDNs under the Fuel Poverty Network Extension Scheme (FPNES).
- Progress on improving the Priority Services Register (PSR) must be maintained. There should be reforms to existing PSR services and additions to the PSR minimum services list should also be considered. All suppliers, regardless of their size, should also be raising awareness of the PSR and related services. Driving up third party outreach and referrals are also key priorities. In moving from a category to a needs-based approach to PSR eligibility, Ofgem and licensees should also recognise that certain groups of households display risk factors that predispose them to on-going vulnerability in the energy market. Much greater efforts should be made by suppliers and networks to look at the overlap between some forms of vulnerability or circumstances. In addition, a major anomaly is that those in, or at extreme risk of, fuel poverty are not currently captured by a specific vulnerability flag or needs code. This must be addressed urgently.

Theme 2 – Supporting those struggling with bills

- Ofgem has invited views on the reintroduction of social tariff but it is not clear how this might replace or enhance Ofgem or the UK Government's existing measures on affordability. The former outcome could be extremely detrimental. Learning from the previous regime before the introduction of the Warm Home Discount was that voluntary social tariffs resulted in a huge variance types of relief among companies. This is not only confusing for customers; it makes it

very difficult to advise vulnerable clients on the varied support provided across the industry. This issue therefore places this possible way of enhancing affordability outcomes at odds with the welcome intent within the draft strategy on securing more consistent outcomes for vulnerable customers, regardless of which supplier (or network companies) they are with.

- It is clear that to achieve the best outcomes for vulnerable customers, both Ofgem and Government need to undertake key actions and must take every opportunity to work together. The 'future energy retail market review' is a key opportunity for such work as it is considering critical issues which effect consumer protections and provision for vulnerable customers; in particular the future of the Warm Home Discount scheme and a clear work stream on what protections will remain in place to support low income consumers that can't engage in the market once the market-wide Default cap is removed. We restate the opportunity for Ofgem to build on previous to develop the initial Safeguard Tariff and target this on-going protection using Warm Home Discount (WHD) eligibility as a proxy. Ofgem must also ensure smaller suppliers are required to deliver this vital protection.
- Whilst welcoming the commitment to consistently assess distributional impacts, given the ever-fluctuating landscape of the energy market, the effectiveness of the commitment to assess distributional impacts must be reviewed before the end of the CVS period. This assessment would evaluate how Ofgem has fully embedded the requirement to routinely assess consumer groups at risk in a more targeted way and propose tailored mitigations. Any model should take multiple factors into account, including customer archetypes and location.
- The previous vulnerability report stated that some suppliers let high numbers of customers build up on average over £800 debt before repayments start. There is therefore a clear need for suppliers to do more to spot severe debt earlier, and step in to help customers manage it.
- There would be merit in Ofgem setting a challenging target to eliminate self-disconnections by the end of the strategy period. In order for this to be a success, Ofgem must commit to strengthening protections for self-disconnecting customers and formalising able-to-pay principles in the first year of the strategy. Whilst smart prepay meters offer an excellent opportunity for significantly enhancing the ability to identify the number of, and length of, self-disconnections, the PPM smart rollout is far behind schedule and we stress the urgent need to make tangible improvements for customers at risk of self-disconnection. This could include raising awareness of the Priority Services Register (PSR) and related services, encouraging suppliers to assist customers with income maximisation services before debt repayment plans are agreed and Ofgem investigating the setting and recovery of costs within Fuel Direct repayments and standing charges. In terms of the latter, small adjustments could be made to the recovery of these costs which would ensure low income consumers, that may only top up their pre-payment meters rarely, don't lose credit before they can access any energy.

Theme 3 – Driving Significant Improvements in Customer Service for Vulnerable Groups

- Ofgem must take enforcement action if suppliers fail to comply with their obligations under SLC 0 and SLC 26. Ofgem must stress its willingness to regulate all licensees to ensure they are compliant with the domestic Standards of Conduct and not accept large variances in the different protections and services being delivered across different energy suppliers, depending on their size and capacity.
- Ofgem should also enhance efforts to ensure all suppliers are meeting their obligations under the Smart Meter Installation Code of Practice (SMICoP) and not rely on the Self-Certification Pro-forma as evidence of compliance. In addition, Ofgem must ensure suppliers that deliver Government obligated programmes are communicating the support that is available in more consistent and accessible formats, provide adequate advice and are clearly signposting how other forms of supplier-led assistance can be accessed if the most vulnerable fail to benefit from different supplier-led schemes⁵.
- Ofgem should ensure new licensees are required to submit a statement on how they will meet their obligations under SLC 0 and SLC 26 and act on calls from Citizen's Advice⁶ to improve the "supplier of last resort" process to further protect customers in vulnerable situations.

Theme 4 – Encouraging Positive and Inclusive Innovation

- Whilst we are impressed with the breadth of the strategy, it is hugely disappointing that it contains limited mentions of electricity networks. Through RII0-1, DNOs have made significant contributions to achieving better outcomes for vulnerable customers as part of their Stakeholder Engagement and Consumer Vulnerability incentive. RII0-ED2, which will begin well within the timeframe of this strategy, presents a huge opportunity to continue this work through to the late 2020s, alongside what has been proposed for gas networks in RII0-GD2. Ofgem must include a strategy for DNOs, including how innovation funding will support vulnerable customers, in the final CVS 2025.

Theme 5 – Working with others to solve issues that cut across multiple sectors

- One of the key cross cutting reasons for debt and energy affordability issues is that unclaimed benefit entitlements remain endemic. Figures from the Department for Work and Pensions (DWP) reveal that 40% of families in Great Britain who are eligible for pension credit failed to claim the benefit during the 2016/17 tax year, leaving them missing out on an average of £2,500 for the year. 20% of families eligible for housing benefit, and 16% of those eligible for income support or income-related employment and support allowance (ESA) are not claiming the support that should be available to them. Take up is affected by a range of factors such as a lack of awareness or the perceived stigma of receiving benefits. Suppliers can help address this by ensuring all customers have greater access to services to check benefits entitlements before debt repayment plans are agreed or signpost appropriate income maximisation services when repayment plans are reviewed.
- This should complement similar actions by other providers of essential services, as recommended in the Public Accounts Committee report on Consumer Protection which found many consumers face similar problems accessing water, energy, communications & financial services. If replicated consistently across all essential service utilities this could potentially leverage an estimated £10 billion of unclaimed pension credit and income support towards paying for essential goods and services, including energy.
- As noted above and within the consultation response we warmly welcome Ofgem’s commitment to act on self-disconnection. This and other manifestations of fuel poverty can badly exacerbate existing mental health problems or prompt unsafe coping strategies as seen in the graphic below. NEA would stress the importance of addressing one of the other main causes of fuel poverty, energy inefficiency. The UK Government is currently updating its Fuel Poverty Strategy and will need to conduct a Comprehensive Spending Review (CSR). Whilst not in Ofgem’s direct purview, this key opportunity to ensure that everyone can live in a warm, efficient home cannot be missed.



Our response to the consultation questions

Question 1: Do you agree with the five priority themes and the outcomes we will aim for (as set out in chapter 3-7 and annex 2)?

We agree with the construction of the five priority themes that are set out in the draft strategy and feel that they give Ofgem an opportunity to build the strategy that is required to address the broad set of problems that Ofgem, and NEA, feel need to be addressed. We believe that whilst each of the presented outcomes makes a valid contribution to improving the lives of consumers in vulnerable situations, there are more, achievable outcomes, that could be added to further strengthen the strategy. We address each theme individually below.

Theme 1 – Improving Identification of Vulnerability and smart use of data

NEA strongly agrees that this should be a theme of CVS2025. Identifying vulnerability is inherently important to achieving overall better outcomes for customers in vulnerable situations and is an enabler for the themes of “Supporting those struggling with bills”, “Driving significant improvements in customer service for vulnerable groups” and “Encouraging positive and inclusive innovation”.

NEA has been very active in helping to more easily identify vulnerability through data sharing with central Government, helping to prompt the Digital Economy Act⁷ which enabled the Warm Home Discount scheme to be provided automatically to low income pensioners by allowing suppliers to work with government to carefully identify those whose energy bills are putting them in financial difficulty. NEA strongly supports this policy (which is administered by Ofgem) as many customers that are eligible to receive WHD miss out on this support each year either because they are unaware of this programme or fail in their applications to receive it due to the limited annual budget⁸. These low-income working households face unimaginable gaps between their incomes and the essential cost of living⁹ and miss out on support despite paying for the cost of the policy through their energy bills.

NEA continues to believe that the schedules within the Digital Economy Act secondary legislation should also be expanded to allow local authorities, public sector health bodies and energy network companies to undertake direct data matching processes with the Department for Work and Pensions (DWP), independent of licenced gas and electricity suppliers. Invariably, given the risk averse nature and time constraints on these organisations, manual opt-in means assessments are currently judged by the vast majority of the aforementioned groups as ‘too difficult’ or ‘too time consuming’. Unless addressed, this will lead to a postcode lottery where some citizens’ data can be shared to better identify and assist vulnerable households who are most at risk of the direct impacts of morbidity associated with cold homes, while others can’t be - even if it’s for a similar or identical purpose.

In specific reference to expanding current powers to energy network companies, this is particularly acute in the case of GDNs who will now be required to identify ECO eligible households and who often have to disconnect gas supply at properties when the boiler is deemed to be unsafe. Our research-to-date shows this removes one hazard but replaces it with another (living with an unsafe gas appliance to having no access to essential heating or hot water). If this situation is not quickly resolved this can prompt multiple issues, particularly for more vulnerable residents unable to afford to replace the affected boiler/space heaters. Where the property is either privately rented or social housing, tenants could be required to notify their landlord that the gas leak or Carbon Monoxide (CO) risk has been identified by a gas engineer and it can be some time until the gas appliance is either repaired or replaced. Despite being in rented accommodation, the onus can be placed on the tenant to see if they are eligible for support to national schemes and arrange these works (or in a limited number of instances even pay the costs). These instances are particularly the case when the landlord cannot be contacted or there is a dispute over the nature of the works or the cost of ancillary repairs. If GDNs were able to determine eligibility for the ECO criteria more consistently and efficiently at the point of a disconnection, the aforementioned risks and delays could be reduced.

In making the case for these expanded powers (and implicit within our support for proposals within the consultation) NEA recognises that extending current data-sharing practices with energy companies (or, to a lesser extent, the other aforementioned groups) could be perceived by the public as contentious. Whilst NEA has highlighted the clear proportionate benefits of enabling energy suppliers, local authorities, health bodies or network companies to identify and deliver practical help to struggling energy consumers, it is critical that clear safeguards are put in place. NEA therefore believes it is important that the enforcement, legislative controls and criminal penalties currently in place through the existing legislation and GDPR regulations ensure this sensitive information should only be used for

the purpose of improving the well-being of the individuals whose data is being shared by central Government. It is also critical energy companies are clear with consumers about how it is being used. We therefore hope, in addition to the legislative controls and criminal penalties, Ofgem will remain vigilant for any instances where companies might be using the data for anything other than the intended purpose, such as using as a proxy for the credit worthiness of customers.

NEA also supported Ofgem's proposals to introduce a licence condition obligating suppliers to take preparatory steps to have arrangements in place with the Department for Work and Pensions (DWP) for the necessary data matching exercise to extend the previous Safeguard Tariff. NEA welcomed Ofgem committing to develop and implement the necessary data privacy impact assessments in time for when the extended Safeguard Tariff would have been implemented for all customers eligible for the Warm Home Discount (within both the WHD core and broader group).

Beyond data-sharing with central Government, NEA has fully supported Ofgem and the industries work to identify customers and offer them appropriate services, via the GB-wide Priority Services Register (PSR). Following a review of the PSR by Ofgem, we welcomed the changes to shift from a 'category' approach to a model based on 'need'. We have also worked with energy suppliers and DNOs to develop common messaging on the PSR. NEA also welcome the fact Gas Distribution Networks (GDNs) will also be obligated under the new PSR to identify and help those in need.

In order to sustain and build on this work, there should be reforms to existing PSR services and additions to the PSR minimum services list should also be considered. Raising awareness of the PSR and related services, driving up third party outreach and referrals are also key priorities. In moving from a category-based to a needs-based approach to PSR eligibility, Ofgem and licensees should also recognise that certain groups of households display risk factors that predispose them to on-going vulnerability in the energy market. Much greater efforts should be made by suppliers and networks to look at the overlap between some forms of vulnerability or circumstances. In addition, a major anomaly is that those in or at extreme risk of fuel poverty are not currently captured by a specific vulnerability flag or needs code. This must be addressed urgently.

Ofgem must also consider how appropriate an improvement in self-identification of vulnerability is, given that this is very difficult to achieve, and the "innovative approaches" that form part of the measurement could end up eroding trust between suppliers and their most vulnerable customers.

NEA asks for this theme

- **Progress on improving the Priority Services Register (PSR) must be maintained. There should be reforms to existing PSR services and additions to the PSR minimum services list should also be considered. Raising awareness of the PSR and related services, driving up third party outreach and referrals are also key priorities.**
- **In moving from a category-based to a needs-based approach to PSR eligibility, Ofgem and licensees should recognise that certain groups of households display risk factors that predispose them to on-going vulnerability in the energy market. In particular, NEA highlights a major anomaly that those in or at extreme risk of fuel poverty are not currently captured by a specific vulnerability flag or needs code. This must be addressed urgently.**
- **Ofgem must consider the how appropriate an improvement in self-identification is, given that this is very difficult to achieve, and the "innovative approaches" that form part of the measurement could end up eroding trust between suppliers and their most vulnerable customers.**
- **Ofgem should proactively work with Government to ensure that the Digital Economy Act is expanded to allow local authorities, public sector health bodies and energy network companies to undertake direct data matching processes with the Department for Work and Pensions (DWP), independent of licenced gas and electricity suppliers.**
- **Ofgem needs to ensure that there are provisions for monitoring to ensure that customers are receiving support once they have been identified.**

Theme 2 – Supporting those struggling with bills

NEA welcomed both the Pre-Payment Cap and the Safeguard Tariff and was a key stakeholder during the passage of the Domestic Gas and Electricity (Tariff Cap) Act 2018¹⁰. As well as noting our general support for the provisions in the Bill¹¹, NEA also welcomed Ofgem and the UK Government's preparatory¹² steps to preserve and extend the Safeguard Tariff¹³. NEA also worked with the Government to confirm¹⁴ that Ofgem could operate the extended Safeguard Tariff at the same time as the Default cap. As noted above, NEA prompted amendments to the Digital Economy Act¹⁵ which now allow suppliers to work with government to carefully identify those whose energy bills are putting them in financial difficulty and need most protection from price rises. NEA also welcomed the recognition from Ofgem¹⁶ and the UK Government¹⁷ that the Default Tariff Cap does not afford the longevity that is needed for the most vulnerable customers.

It was therefore disappointing that when implementing the Default Cap, Ofgem did not adopt this approach and chose to remove 1 million low income pensioners who are not on prepayment meters, but are receiving the Warm Home Discount, from the Safeguard Tariff. The limited rationale noted that the Safeguard Tariff was only intended as a temporary measure and at the time of switching them over, these customers would feel little impact as both caps were set at the same level. Following the recent rise to both the Default and PPM Caps on the 7th February, however, the majority of suppliers have increased their prices to the level of the new cap and the evident risks we highlighted have now arisen¹⁸. This outcome is contrary to the stated commitments that were given during the passage of the Bill (see letter to Lord Grantchester from the RT HON Lord Henley (Parliamentary Under Secretary of State for BEIS) in annex 2.)

There is now an urgent need for Ofgem and the UK Government to develop a clear work stream on what protections will remain in place to support low income consumers that can't engage in the market once the market-wide cap is removed. It is essential that this work is carried out in the joint Ofgem and BEIS review of the domestic energy retail market.

Ofgem should look to build on previous work and target this on-going protection using Warm Home Discount (WHD) eligibility as a proxy. Ofgem must ensure that smaller suppliers are required to deliver this vital protection. Whilst this response highlights the steps that Ofgem can currently take to protect low income customers, we are also urging UK Government to ensure the Warm Home Discount scheme continues for existing low-income pensioner recipients but be provided automatically to more low income working families, also using the powers under the Digital Economy Act to ensure better targeting. This can be achieved without increasing energy prices for other consumers by adjusting existing tax-funded support.

Ofgem has invited views on the reintroduction of social tariff but it is not clear how this might replace or enhance Ofgem or the UK Government's existing measures on affordability. The former outcome could be extremely detrimental. Learning from the previous regime before the introduction of the Warm Home Discount was that voluntary social tariffs resulted in a huge variance types of relief among companies. This is not only confusing for customers; it makes it very difficult to advise vulnerable clients on the varied support provided across the industry. This issue therefore places this possible way of enhancing affordability outcomes at odds with the wider welcome intent within the draft strategy on securing more consistent outcomes for vulnerable customers, regardless of which supplier (or network companies) they are with.

In addition to price protection, NEA stresses the need to extend and improve the Warm Home Discount Scheme (WHD), particularly industry initiatives which could cease at the end of the next scheme year. NEA therefore believes the WHD scheme must continue for existing low-income pensioner recipients and be provided automatically to more low-income working families, using new and existing powers under the Digital Economy Act to ensure better targeting. This should require close co-operation with the UK Government to make the case that the WHD has been an effective programme.

Within the WHD programme, it is imperative that Ofgem make the rules behind the "Industry Initiative" section more flexible. This will help third parties, that ultimately will deliver this part of the scheme, to more adequately support the most vulnerable customers to pay their bills and cannot be based on reaching a "value for money" objective which often rules out help for those most in need, where a pound spent will not reach as far.

Ofgem's commitment within the strategy to address self-disconnection is a welcome one. It is now crucial that Ofgem's upcoming consultation on self-disconnection leads to tangible improvements for the most vulnerable customers who regularly self-disconnect. This can badly exacerbate existing mental health problems or prompt unsafe coping strategies (see some examples in graphic in the introduction). However, the strategy could go further, and set a target of reducing self-disconnections to nil in the strategy period, which could be achieved through a number of actions.

Whilst smart prepay meters offer an excellent opportunity for significantly enhancing the ability to identify the number of, and length of, self-disconnections, the PPM smart rollout is far behind schedule. It is also critical other reforms are made. This could include raising awareness of the PSR and related services, encouraging suppliers to assist customers with income maximisation services before debt repayment plans are agreed, and Ofgem should investigate the setting and recovery of costs within Fuel Direct repayments and standing charges. Small adjustments could be made to the recovery of these costs which would ensure low income consumers that may only top up their pre-payment meters rarely, don't lose credit before they can access any energy.

NEA believes the lack of affordability of energy is closely overlapped with other varied reasons for not switching or being stuck on a more expensive tariff or payment type. These may include:

- Poor mental health or limited financial capability;
- Limited internet access;
- A preference or need to manage their limited budget via receipt of a paper bill, payment by cheque, or cash in advance using a PPM;
- Aversion to risk and therefore a reluctance to engage with an unknown (smaller) supplier;
- High debt and stringent or out of date credit checks;
- A fear of losing key entitlements such as the Warm Home Discount;
- Their tenure and a reliance on the current payment type due to their landlord's stipulations;
- Access to the benefits of a smart meter and In-Home Display (IHD).

The previous vulnerability report stated some suppliers let high numbers of customers build up on average over £800 debt before repayments start. There is therefore a clear need for suppliers to do more to spot severe debt earlier, and step in to help customers manage it.

It is important that Ofgem look to develop a greater understanding of these issues and where possible work alongside the industry, other regulators and the UK Government to address them.

Finally, NEA warmly welcome the continuation of the FPNES. This can play a huge role in reducing costs for low income customers and NEA's report "In from the Cold"¹⁹ underlined the value of First Time Central Heating (FTCH) as a key measure to address fuel poverty²⁰. There are a number of opportunities for improving the scheme, including standardising the provision of in-home advice for recipients of FTCH.

These minimum standards must come in the form of prescriptive rules and should take the form of a Smart Meter Installation Code of Practice (SMICOP) equivalent for FPNES. This is the best way of ensuring consistent outcomes for those who need them most²¹. As we have said previously, improved targeting could be achieved by allowing GDNs to access information directly from central government using powers under the Digital Economy Act to identify which in home energy efficiency measures households are able to access via assistance schemes such as the Energy Company Obligation (ECO). Our full FPNES recommendations, which have previously been shared with Ofgem, can be found in Annex 1.

NEA asks for this theme

- **It is critical that alongside speeding up the rollout of SMETS 2 prepayment meters to address self-disconnection, Ofgem should investigate the setting and recovery of costs within Fuel Direct repayments and standing charges.**
- **The previous vulnerability report stated some suppliers let high numbers of customers build up on average over £800 debt before repayments start. There is therefore a clear need for suppliers to do more to spot severe debt earlier, and step in to help customers manage it.**
- **Warm Home Discount Industry Initiative schemes must become more flexible in order to more adequately support the most vulnerable customers to pay their bills and cannot be based on reaching a “value for money” objective which often rules out help for those most in need, where each pound spent will not reach as far.**
- **There is an urgent need for Ofgem and the UK Government to develop a clear work stream on what protections will remain in place to support low income consumers that can’t engage in the market once the market-wide cap is removed.**
- **Ofgem should ensure that the next phase of the FPNES scheme includes minimum standards so, that when going through the process, customers are offered relevant energy advice, much like what is currently within the current Smart Meter Installation Code of Practice (SMICoP).**

Theme 3 – Driving Significant Improvements in Customer Service for Vulnerable Groups

NEA has made major contributions to improvements in customer service for vulnerable customers in the energy sector through our training courses, including “Identifying Fuel Poverty and Vulnerability”. Each year we train approximately 3,000 frontline staff, who will go on to help an estimated one million people.

We wholeheartedly believe that alongside ensuring that customers can pay their bills, guaranteeing that the companies that interact with vulnerable customers treat them in a suitable manner is extremely important to ensuring positive outcomes. Whilst there have been many good examples of energy companies going above and beyond for their customers, there remains some instances of bad practice in the industry which urgently need to be addressed. This is important in the context of driving the market to deliver for customers. Ofgem and the industry have spent significant time and effort encouraging customers to actively look to switch to better deals, so that the market can work as efficiently as possible. However, trust between customers and the market breaks when companies that offer cheaper deals cannot offer good customer service. This effect is amplified when the customer is already in a vulnerable situation.

Ofgem must take enforcement action if suppliers fail to comply with their obligations under SLC 0 and SLC 26. Ofgem must stress its willingness to regulate all licensees to ensure they are compliant with the domestic Standards of Conduct and not accept large variances in the different protections and services being delivered across different energy suppliers, depending on their size and capacity. In this context, Ofgem should also make enhance efforts to ensure all suppliers are meeting their obligations under Smart Meter Installation Code of Practice (SMICoP) and not rely on the Self-Certification Proforma as evidence of compliance. In addition, Ofgem must ensure suppliers that deliver Government obligated programmes are communicating the support that is available in more consistent and accessible formats, provide adequate advice and are clearly signposting how other forms of supplier-led assistance can be accessed if the most vulnerable fail to benefit from different supplier-led schemes²².

The outcomes proposed in this theme look to address these issues but could be built upon with the following changes.

As stated previously, Ofgem must provide clarity that they will take enforcement action against these conditions where vulnerable customers have not been treated fairly, especially when customer service does not meet the required standard. It is currently not entirely clear what Ofgem’s “red lines” are with respect to these licence conditions, and we are concerned that this may result in suppliers pushing the boundaries, especially in new areas such as time of use tariffs and other smart offerings.

We are pleased to see that Ofgem recognise that the third sector can play an important role in defining best practice on customer service. The outcome to ensure that suppliers use best practice guides from charities on how to best treat their customers in certain vulnerable situation is therefore welcome. It is, however, not clear as to how these guides will be funded. Charities and other not-for-profits are currently working in a challenging funding environment, so ensuring that there is proper reimbursement to improve the customer service offering of the industry is essential.

It is long overdue that new suppliers should face stronger tests on their financial longevity as well as the levels of customer service that they are able to provide. However, we still expect that some suppliers will lose their licence and cease to be able to supply their customers. Therefore, the supplier of last resort (SOLR) process needs to be continually improved in order to provide additional protection to customers. We support the recommendations found in the Citizens Advice report "Picking up the Pieces"²³. NEA also recommends Ofgem should ensure new licensees are required to submit a statement on how they will meet their obligations under SLC 0 and SLC 26.

NEA believes that it would be incredibly useful, especially for those working on the 'front line', to be able to quickly assess the level of customer service and support that each energy supplier offers their most vulnerable customers. We therefore strongly support the proposed metric. However, any metric that assesses the customer service that a supplier offers to their vulnerable customers must be transparent and easy to understand, so that customers and front-line workers can easily differentiate between suppliers and comprehend what is offered by each of them.

In order to ensure that suppliers actively and effectively compete on customer service, Ofgem must work to enhance tenants' knowledge of their rights to switch, choose their payment type, benefit from smart meters, and protect tenants from the on-selling of sub-metered electricity and non-regulated fuels via their landlords. Without the knowledge of switching, competition will not manifest between suppliers, and customer service will not reach the level that it otherwise could.

Finally, Ofgem should provide licensees, consumers and third-party advocates with guidance on what sort of households could most benefit from, and should be targeted for, PSR services. This will help with proactive identification and targeting, and consistent service delivery across providers. Ofgem should recognise that the PSR is currently used to register consumers who need to receive extra protection against disconnection, for example in the winter months. A register of these consumers and others who have been 'flagged' as vulnerable, as well as current protections under existing licence conditions, especially against disconnection, must not be put at risk or eroded due to Ofgem's proposed PSR changes.

NEA asks for this theme

- **Ofgem must provide clarity that they will take enforcement action against these conditions where vulnerable customers have not been treated fairly, especially when customer service does not meet the required standard.**
- **Ofgem should also make enhance efforts to ensure all suppliers are meeting their obligations under Smart Meter Installation Code of Practice (SMICoP) and not rely on the Self-Certification Pro-forma as evidence of compliance.**
- **Ofgem must be clear as to how they expect best practice guides, made by the third sector, will be funded.**
- **Ofgem should adopt the recommendations found in the Citizens Advice report "Picking up the Pieces" in order to improve the supplier of last resort process.**
- **Ofgem must ensure that any metric that assesses the customer service that a supplier offers to their vulnerable customers must be transparent and easy to understand.**
- **Ofgem must enhance tenants' knowledge of their rights to switch, choose their payment type and benefit from smart meters, and protect tenants from the on-selling of sub-metered electricity and non-regulated fuels via their landlords.**
- **Ofgem should provide licensees, consumers and third-party advocates with guidance on what sort of households could most benefit from, and should be targeted for, PSR services.**

A significant amount of innovation will be required to be done across all parts of the energy system in order to meet the new, stretching, legally binding net-zero carbon 2050 target.

NEA recently finished the administration of a Technology Innovation Fund (TIF). Overall, over 44 projects were awarded funding (with an additional two programmes granted funding in 2017), involving 19 types of technology and 66 products. The grant recipients²⁴ agreed to work with NEA to ensure that appropriate monitoring and evaluation²⁵ could take place. NEA also utilised its extensive experience to work with local partners in areas experiencing high levels of fuel poverty to ensure the impacts of the technologies themselves were amplified. Where possible, there was also a focus on low income households; 61% of the residents had incomes under £16,000. In addition, NEA targeted rural and off-gas communities and EPC band D, E, F and G properties; 24% were living off the mains gas network and reliant on more expensive fuels for heating.

In order to ensure that the energy transition is fair and just, more innovation projects need to be completed with the intention of helping vulnerable and fuel poor households, either directly through the project, indirectly as a result of the findings, or as a combination of the two. It is vital that innovation projects funded through bills do not primarily go towards providing costly solutions to households who do not need help to, for example, heat their homes or pay their bills.

Whilst the outputs in this section are useful, they could go further. Innovation days are a good way for suppliers and networks to compete with each other, akin to the reputational incentives that can be found within the RIIO-1 price control. This, however, needs to be complemented with systematic changes in how innovation funding is awarded, where helping vulnerable customers should be rewarded in proposals and given a suitably high rating when Ofgem assesses them.

Finally, the outputs make no mention of electricity networks, which currently play a key role in helping customers in vulnerable situations, and where tens of millions of pounds will be spent on innovation over the period of the strategy. It is vital that Ofgem include provisions for electricity networks within the final strategy.

NEA asks for this theme

- **Innovation days need to be complemented with systematic change in how innovation funding is awarded so that more innovation projects directly help those in vulnerable situations.**
- **The final CVS 2025 needs to include a strategy for how electricity distribution operators can address vulnerability in the strategy period.**

Theme 5 – Working with others to solve issues that cut across multiple sectors

Working across boundaries is key to both addressing fuel poverty and helping people who find themselves in vulnerable situations. This has been recommended by the Parliamentary Public Accounts Committee in their recent report on consumer protection.²⁶ NEA, in partnership with Northumbrian Water, has embarked on a three-year project to better understand the links between water poverty and fuel poverty, ensuring that both policy and practical action are aligned to deliver holistic outcomes for customers in vulnerable situations. There are compelling arguments for the alignment of action to tackle fuel poverty and water poverty; in NEA's experience of practical delivery they are often the same householders – it is extremely unlikely that a household struggles to pay only one of their household bills, they often have issues with all household expenditure and may also struggle with debt. This partnership aligns with the need for cross-sector organisations to work together to address affordability and vulnerability issues for customers, considering their overall situation rather than one issue in isolation.

We welcome the intention of Ofgem to work with the third sector on policy and regulatory developments, as this has been shown to end in better outcomes for consumers over the last five years of the current CVS. However, serious thought must go in to how this engagement can be funded, as it is often a costly activity for charities to undertake.

In addition to working with the third sector, Ofgem must work with Government more closely, and more often. It is therefore welcome to see this in the outputs of this theme. This is essential to

achieving best outcomes for consumers, as real change often requires legislation as well as regulation. The way this has been done in the both the "Smart Systems and Flexibility Plan" and also the "Future Energy Retail Market Review" should be replicated across other key areas in the future.

One of the key cross cutting reasons for debt and energy affordability issues is that unclaimed benefit entitlements remain endemic. Figures from the Department for Work and Pensions (DWP) reveal that 40% of families in Great Britain who are eligible for pension credit failed to claim the benefit during the 2016/17 tax year, leaving them missing out on an average of £2,500 for the year. 20% of families eligible for housing benefit, and 16% of those eligible for income support or income-related employment and support allowance (ESA) are not claiming the support that should be available to them. Take up is affected by a range of factors such as a lack of awareness or the perceived stigma of receiving benefits. Suppliers can help to address this by ensuring that all customers have greater access to services to check benefits entitlements before debt repayment plans are agreed or signpost appropriate income maximisation services when repayment plans are reviewed.

This should complement similar actions by other providers of essential services, as recommended in the Public Accounts Committee report on Consumer Protection which found many consumers face similar problems accessing water, energy, communications & financial services. If replicated consistently across all essential service utilities this could potentially leverage an estimated £10 billion of unclaimed pension credit and income support towards paying for essential goods and services, including energy.

Ofgem could do also more itself to ensure that BEIS have better information when making policy decisions. For example, E-serve could be dramatically improved if Ofgem looked to capture the customer contributions made in the ECO scheme. These customer contributions are a significant barrier to the lowest-income households receiving support that they dearly need. This would help build understanding as to how much these schemes are helping the most vulnerable, which in turn would help policy makers to improve future schemes.

NEA asks for this theme

- **Suppliers should be required to ensure that all customers have greater access to services to check benefits entitlements before debt repayment plans are agreed or signpost appropriate income maximisation services when repayment plans are reviewed.**
- **Ofgem must work with Government more closely, and more often, to ensure best outcomes for customers. This should follow the model already in use within the "Future Energy Retail Market Review".**
- **E-serve needs to capture customer contributions made in the ECO scheme, which are a significant barrier to the households that are on the lowest incomes receiving support that they dearly need.**

Question 2: Do you agree with our approach on affordability? While we recognise this is a concern for many consumers in vulnerable situations, we think addressing wider affordability pressures is mainly a matter for government to address.

We broadly agree with the approach to affordability but think that Ofgem could go further in several areas, as we have suggested in our answer to question 1. In summary we propose:

- Ofgem should look to build on previous work to extend the Safeguard Tariff and target this on-going protection using Warm Home Discount (WHD) eligibility as a proxy. Ofgem must ensure smaller suppliers are also required to deliver this vital protection.
- Ofgem should support the UK Government to ensure the Warm Home Discount scheme continues for existing low-income pensioner recipients but be provided automatically to more low-income working families.
- Ofgem should encourage suppliers to assist customers with income maximisation services before moving them on to debt repayment plans.
- Ofgem should investigate the setting and recovery of costs within Fuel Direct repayments and standing charges. Small adjustments could be made to the recovery of these costs which would

ensure low income consumers that may only top up their pre-payment meters rarely, don't lose credit before they can access any energy.

- Ofgem should explore the overlap with other varied reasons for not switching or being stuck on a more expensive tariff or payment type.

NEA welcomes Ofgem's commitment to continue the FPNES scheme, but work must be done to standardise the provision of in-home advice so households who benefit from First Time Central Heating are able to operate the new system, any new controls, receive basic advice about which energy tariffs will be most appropriate to maximise the affordability outcomes of new system (dual fuel tariffs etc) and obtain information about wider assistance programmes such as the Warm Home Discount (WHD). These minimum standards must introduce prescriptive rules and should take the form of a Smart Meter Installation Code of Practice (SMICOP) equivalent for FPNES.

We also believe that a key feature of affordability is the effectiveness of the ECO scheme. We therefore believe that E-serve could be dramatically improved if Ofgem looked to capture the customer contributions made in the ECO scheme, which are a significant barrier to the households that are on the lowest incomes receiving support that they dearly need. This would help build understanding as to how much these schemes are helping the most vulnerable, which in turn would help policy makers to improve future schemes.

Question 3: What more could be done through energy regulation to assist consumers in vulnerable situations in the longer term? How should any such further measures be funded?

The move towards Half Hourly Settlement is positive in principle, however the number of customers choosing to provide half hourly data to their supplier when they have a smart meter has been minimal to date and so it is clear that half hourly settlement will need to be mandatory. This could present yet another significant obstacle to gaining trust with customers and could put another hurdle in the way of the successful completion of the smart meter rollout.

Whilst we support the concept of time of use tariffs and have been involved in many innovation projects which have trialled them, we are concerned that these trials have primarily taken place in de-risked environments with customers only able to catch the upside of any price signal. For example, in Energywise²⁷ we monitored vulnerable customers' internal temperature and consumptions in order to limit the risk of energy rationing to a point it might have been damaging to their health or well-being. These protections will not be in place in time for the wider market rollout.

Time of use tariffs will also likely require loosening licence requirements regarding tariff numbers and product information. Some vulnerable customers may therefore unwittingly adopt them based on promises of savings and their historic energy consumption profiles, but ultimately finding themselves on the wrong end of the price signal. This is more likely to be a growing trend in future too as more affluent households will increasingly be able to use automation to capture the value within price signals, whilst our low-income consumers are unlikely to be able to afford such technology. Other vulnerable customers who may need to maintain high demand at peak periods could be badly affected if suppliers look to pass through price signals in a very blunt way. Suppliers will also be able to take most (or all) of the benefit from the customer because there is no requirement to pass through any savings, this in spite of a supplier's improved ability to forecast demand, reduced billing costs and other savings.

In the near future the DNO to DSO transition will present a wealth of opportunities for networks to find new, alternative ways of running their network, far beyond the traditional method of simply putting wires in the ground. It is important that these approaches become mainstream and the most vulnerable customers can become key beneficiaries of the next price control. We propose to do this through reforming the current share factors and weighting DSR or demand reduction projects dependent on whether they defer or reduce BAU costs whilst also achieving direct social and environmental outcomes. This would also help offset the likely negative impact of socialising EV connections/reinforcement for energy customers who do not own electric vehicles.

DNOs have also long had an incentive to reduce the losses on their networks. The cost effectiveness of these reductions has deteriorated with time, as the 'low hanging fruit' has been taken early. At the same time, there has been a clear gap in funding for low income households to benefit from more efficient appliances or white goods. Government assumes that everyone has had access to increasingly efficient appliances (via improvements through EU products Directives) and therefore benefit from a reduction in exposure to increasing policy costs, paid for through energy bills. Sadly, this isn't the case for many low-

income households. Reforming the current losses incentive so that DNO/DSOs are incentivised to deliver these energy savings within domestic properties (by replacing energy inefficient appliances or electric heating rather than just focus on line losses) would be an effective way for networks to deliver a positive outcome, but again with a strong social and environmental benefit.

Finally, innovation funding has, for too long, mainly been focussed on projects that have an incremental impact on technical network operations, which possibly should now be part of networks' BAU activities. Any innovation funding should therefore have the potential to be transformative, and where possible should help those who need the most support to transition to a lower carbon network and energy system. Any future innovation funding (Network Innovation Allowances or Network Innovation Competitions) could therefore aim to directly support consumers in the transition to a low carbon future, particularly those in or at extreme risk of fuel poverty.

Question 4: Do you agree with our proposals for the first year of the strategy?

We broadly agree with the first-year proposals. We are especially happy with the proposal to "Create an analytical framework to consistently assess the impact of our policies on particular groups of consumers in vulnerable situations". This will help to ensure that within the ever-fluctuating landscape of the energy market, vulnerable customers will not be adversely affected by big system changes, such as Ofgem's Targeted Charging Review.

However, out of the five priorities for action in the first year of the strategy, two are conditional (aiming to strengthen protections for self-disconnecting customers and the consideration of formalising able to pay principles). In order for the strategy to be a success, Ofgem must commit to both of these projects within the first year of the strategy, in particular providing more help for self-disconnecting customers.

Annex 1 – NEA’s Briefing to Ofgem on How to Improve the FPNES Scheme

National Energy Action (NEA): Key insights on the Fuel Poor Network Extension Scheme (FPNES) in preparation for RIIO-2



Action for Warm Homes

About National Energy Action (NEA)

NEA works across England, Wales and Northern Ireland to ensure that everyone in the UK can afford to live in a warm, dry home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, deliver local projects, carry out research and co-ordinate other related services which can help change lives. This practical insight plays a crucial part in enhancing the authenticity and insights within NEA's national advocacy. In 2012, NEA developed a scoping study with Ofgem to explore how well-placed network companies are to deliver social action cost-effectively and support the alleviation of fuel poverty. Throughout ED1 and GD1, NEA has worked with Ofgem and the network companies to embed many of the recommendations which, despite well-defined gaps in national provision, exploit the potential for linkages across the whole energy sector and more generally cultivate deliverable propositions for vulnerable households, especially for low income households off the gas network.

Key insights on FPNES delivery under RIIO-1 and learnings for RIIO-2

- ❖ Timeframes for new connections and installations of in-house EE measures can be poorly aligned. Ofgem may need to consider how different energy efficiency funding streams can be more effectively integrated to ensure that regulatory rules allow households to receive the full package of support available and ensure obligated companies are able to provide customers with the best overall outcomes.
- ❖ In addition, GDNs should be able to access information directly from central government using powers under the Digital Economy Act to illicit which in home energy efficiency measures households are able to access via assistance schemes such as the Energy Company Obligation (ECO). This would help ensure basic levels of wall and/or loft insulation are installed within the properties that are supported by the FPNES. In the meantime, we believe that GDNs must achieve better targeting through using their own mapping tools to improve targeting of the FPNES and providing assisted referrals for the installation of insulation.
- ❖ In local authority areas without a published statement of intent for ECO-flex, vulnerable households who are not eligible for a FPNES connection via the Fuel Poverty Assessment route (i.e. are in fuel poverty under LIHC) will not qualify for a connection. Furthermore, regulated changes to GDN pricing structures can result in additional project costs should those changes diminish the value of a FPNES voucher (i.e. it won't cover the cost of a new connection). Ofgem rules do not allow other funding options, such as the Warm Home Discount Industry Initiatives funding to plug the gap. Ofgem may need to consider ways that future projects and funding streams can cover the shortfall between discounts provided through FPNES, variations in LA ECO-flex eligibility, and the cost of a gas connection for fuel poor households.
- ❖ Our projects have highlighted challenges around identifying whether a household already has a Meter Reference Point Number (MPRN), getting a timely gas meter installation and MPRN allocation. Responsibility for this can be passed between GDNs and energy suppliers and can cause significant delays in delivery. In some projects we were able to resolve this due to the fact staff members had access to Exo Serve, but this will not always be the case.
- ❖ In very rural areas, a lot of properties may not be located within 23 meters of a gas main (meaning they would not qualify for a free connection). We have identified projects were, if a household such as this is vulnerable, they are provided with ASHPs as an alternative – increasing the scope and reach of central heating projects. This is a positive approach and the potential for including such an approach in FPNES should be explored.
- ❖ Our projects have highlighted the varying and complex needs of vulnerable consumers and their needs for additional support in navigating the FPNES connection procedure and in understanding their new gas central heating systems. Ofgem should introduce minimum standards for compulsory energy efficiency advice when GDNs (or their contractors) complete a connection under the FPNES, similar to the SMICOP for smart meter installations. The customer should also be made aware that they should contact their energy supplier and seek information about where to apply for wider assistance programmes such free insulation, the Warm Home Discount (WHD) and Free Gas Boiler checks.

Annex 2 – Letter to Lord Grantchester from RT HON Lord Henley on the price cap.

Lord Grantchester

House of Lords

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22 June 2018

Dear Lord Grantchester,

I am very grateful for your continued interest in the actions of Government in protecting consumers, and for your support for the Domestic Gas and Electricity (Tariff Cap) Bill.

When we last met, we discussed protections for vulnerable consumers.

Firstly, we're working on information sharing to help better target assistance for those in fuel poverty.

On 17th May the Government laid the Digital Government (Disclosure of Information) Regulations,¹ before Parliament. That affirmative statutory instrument is designed to enable specific public bodies to share information to improve the provision and targeting of public services to benefit individuals and households. This includes the ability to share information for the alleviation of fuel poverty. The Regulations are scheduled for debate in both Houses on 25 June.

The new powers will enable the Government to share information with energy suppliers, so they can more readily identify households in need and provide support to those who are eligible. This support is specified in the list of fuel poverty measures in the Act and amending Regulations. It includes the Warm Home Discount (WHD), Ofgem's Safeguard Tariff and the Energy Company Obligation (ECO).

Secondly, on the matter of whether Ofgem's Safeguard Tariff will remain in place alongside the new price cap proposed by the Bill, I can confirm that Ofgem is proposing to keep the Safeguard Tariff in place if the new price cap is materially higher (i.e. gives less protection) than the level of the Safeguard Tariff. Ofgem have also committed to ensuring that vulnerable consumers are on the cap that gives them the highest protection, to ensure these consumers do not lose out when the wider price cap comes into effect. As I am sure you're aware, the existing Pre-payment Meter (PPM) Cap will be unaffected by this Bill and will be retained subject to a review of its duration by the Competition and Markets Authority (CMA) in 2019.

Thirdly, you also raised whether powers were required to allow a further price cap for vulnerable consumers to be brought after this cap has ceased. I can confirm that Ofgem already has the power to protect vulnerable consumers in this way as

¹ Link to Draft Digital Government (Disclosure of Information) Regulations 2018:
https://www.legislation.gov.uk/ukdsi/2018/9780111169445/pdfs/ukdsi_9780111169445_en.pdf

evidenced by the extension of the pre-payment meter cap to Warm Home Discount customers by licence modification.

You may recall the comments made by Dermot Nolan, Ofgem CEO, to the Committee during the Bill's pre-legislative scrutiny on the ongoing support Ofgem may provide to vulnerable consumers upon the removal of the price cap. When asked whether a price cap or other protection may be needed for vulnerable consumers upon the removal of a market-wide price cap, Mr Nolan responded "*In my view, yes...I would envisage a very possible situation in which if a full, market-wide price cap was removed, Ofgem would continue with the price cap for vulnerable consumers*"².

I hope you find these points useful. I would, of course, set these out clearly in my response to any debate on these matters at Report on 27 June.

Yours sincerely,

THE RT HON LORD HENLEY

PARLIAMENTARY UNDER SECRETARY OF STATE

² See Page 9 of the BEIS Select Committee Oral Evidence Session from 10th January 2018:

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/business-energy-and-industrial-strategy-committee/prelegislative-scrutiny-of-the-draft-domestic-gas-and-electricity-tariff-cap-bill/oral/76719.pdf>

¹ For more information visit: www.nea.org.uk.

² NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

³ In this context, whilst welcoming the new price protections for some vulnerable households who can't or don't engage in the energy market, NEA highlighted the risk that a million low income pensioners protected by the previous Safeguard Tariff could end up paying more than they would have done without the new Default Tariff cap.

⁴ NEA has worked closely with Ofgem and others to:

- Changes to warrant charges for vulnerable energy consumers
- Enhanced partnership working with network companies and energy suppliers to improve the Priority Services Register (PSR)
- Ofgem seeking to improve performance from suppliers to identify, respond to and prevent vulnerable consumers from falling into further debt
- New protections for consumers who receive back bills
- The RIIO GD-2 framework has a focus on identifying and supporting customers in vulnerable situations;
- The CMA recommended a prepayment cost cap that is currently enforced and expanded through the safeguard tariff
- Successful implementation of the default tariff price cap with extra protections for those receiving WHD.

⁵ Energy suppliers offer a range of services but these are often poorly promoted as part of ECO by obligated parties or their suppliers and contractors. Without adding costs to the ECO scheme, obligated parties and their suppliers and contractors should be able to provide information on how households can register for priority services, get the best energy tariff, check if they can receive the WHD and hence benefit from the Safeguard Tariff, make a meter reading, benefit from a smart meter, how to maximise their income, contact their supplier to discuss energy debt, benefit from a carbon Monoxide alarm or free gas safety check.

⁶ See full report here: <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/picking-up-the-pieces/>

⁷ Business and Energy Secretary Greg Clark said: "the effects of energy price rises are often felt most by those on the lowest incomes. Enabling energy suppliers to establish who should be on Ofgem's safeguard tariff cap will help these vulnerable consumers. The proposed amendments to the Digital Economy Act will allow suppliers to work with government to carefully identify those whose energy bills are high and potentially putting them in financial difficulty. These people can then be placed under Ofgem's safeguard tariff cap, protecting them from high bills and unfair price rises".

⁸ Ofgem estimates that 2.2m customers are eligible for the warm home discount but do not receive it (https://www.ofgem.gov.uk/system/files/docs/2017/12/providing_financial_protection_to_more_vulnerable_consumers_0.pdf) This was verified by BEIS in their consultation on data matching (<https://www.gov.uk/government/consultations/data-sharing-regulations-for-a-safeguard-energy-tariff>)

⁹ The scale of this challenge is stark, 47% of all fuel poor households in England are in full or part-time work and to meet the essential cost of living, NEA estimates that some families in fuel poverty face an income shortfall of up to £9,331 per year (£778 per month) to cover basic essentials, including energy. See NEA's report "Bridging the Gap, In November 2017.

¹⁰ NEA provided oral evidence to the BEIS Committee during pre-legislative scrutiny of the Domestic Gas and Electricity (Tariff Cap) Bill in March 2018 and subsequently, following the publication of the Bill in Parliament, oral evidence to the Public Bill Committee in April 2018.

¹¹ NEA noted the Default Tariff Cap could provide some temporary relief from unpredictable price increases, greater transparency in the pass through of energy related policy costs and the prospect that bills could fall if input costs drop. For the majority of customers who don't (or can't) engage in the market, this continues to be a positive development, despite the recent rises that were announced on the 7th February.

¹² Ofgem consulted on how data-matching for an extended Safeguard Tariff may operate. NEA agreed with the introduction of a licence conditions obligating suppliers to take preparatory steps to have arrangements in place with the Department for Work and Pensions (DWP) for when the necessary data matching exercise. NEA also welcomes Ofgem addressing the unacceptable variance in the coverage of the previous Safeguard Tariff and we express our support for ensuring suppliers over 50,000 customers were able to deliver and target this vital assistance effectively in the near future. NEA also welcomed Ofgem committing to develop and implement the necessary data privacy impact assessments in time for when the extended Safeguard Tariff would have been implemented for all customers eligible for the Warm Home Discount (within both the WHD core and broader group), by no later than December. In addition, a [letter](#) by the Secretary of State to the BEIS Committee Chair noted the Government's support for working with Cabinet Office, the Department for Work and Pensions and Ofgem on amending the Digital Economy Act to extend the Safeguard Tariff. The Government subsequently amend the regulations to allow the powers within the Act to be used for this purpose. However, the consultation failed to provide clarity these steps will be introduced.

¹³ NEA also stressed the need for and then the need to utilise the new data sharing powers that are now available via the Digital Economy Act which allow suppliers to work with government to carefully identify those for who energy bills are high and potentially putting them in financial difficulty.

¹⁴ Following a series of cross party amendments NEA were subsequently given assurances in the House of Commons by Claire Perry MP, BEIS Energy Minister, and subsequently in the Lords by the Parliamentary Under Secretary of State Lord Henley during the final stages of the Bill that "Ofgem is proposing to keep the Safeguard Tariff in place if the new price cap is materially higher (i.e. gives less protection) than the level of the Safeguard Tariff". Following these developments, the Chief Executive from Ofgem also met with NEA, the Energy Minister and the Chair of the BEIS select Committee and gave similar reassurances.

¹⁵ Business and Energy Secretary Greg Clark said: "the effects of energy price rises are often felt most by those on the lowest incomes. Enabling energy suppliers to establish who should be on Ofgem's safeguard tariff cap will help these vulnerable consumers. The proposed amendments to the Digital Economy Act will allow suppliers to work with government to carefully identify those whose energy bills are high and potentially putting them in financial difficulty. These people can then be placed under Ofgem's safeguard tariff cap, protecting them from high bills and unfair price rises".

¹⁶ Dermot Nolan, Ofgem CEO said to the BEIS Committee during the Bill's pre-legislative scrutiny "In my view, yes...I would envisage a very possible situation in which if a full, market-wide price cap was removed, Ofgem would continue with the price cap for vulnerable consumers"¹⁶.

¹⁷ Claire Perry MP, BEIS Energy Minister also stated publicly to the Public Bill Committee in April that the UK Government recognised the need for the Safeguard Tariff to continue even if the SVT wide cap is in place by this winter. Further to this, the Minister also restated that the UK Government supported the positive case for the Safeguard Tariff to be expanded to those eligible for the Warm Home Discount scheme and this would be possible once the revisions to the necessary data-sharing in the Digital Economy Act schedules have been made.

¹⁸ Over 1 million low income pensioners are now likely to pay a minimum of £4m more than they would have done under the previous Safeguard Tariff.

¹⁹ In from the Cold: The funding gap for non-gas fuel poor homes under ECO and a proposal to fill it, NEA, February 2017.

²⁰ The report noted that because those off the gas network are more reliant on expensive fuels such as electricity, fuel poor households off the gas grid experience average fuel poverty gaps that are double those of on-gas fuel poor. Since then, the latest fuel poverty statistics highlight the same pressing gap, (on gas fuel poor have average gaps of £296 vs off-gas £607).

²¹ In our full response below, we set out in detail the minimum standards that we would like to see within GDNS' licence conditions.

²² Energy suppliers offer a range of services but these are often poorly promoted as part of ECO by obligated parties or their suppliers and contractors. Without adding costs to the ECO scheme, obligated parties and their suppliers and contractors should be able to provide information on how households can register for priority services, get the best energy tariff, check if they can receive the WHD and hence benefit from the Safeguard Tariff, make a meter reading, benefit from a smart meter, how to maximise their income, contact their supplier to discuss energy debt, benefit from a carbon Monoxide alarm or free gas safety check.

²³ The Citizens Advice report "Picking up the Pieces recommends that: 1) Ofgem also needs to introduce new ongoing requirements and monitoring to ensure that all suppliers are offering an adequate service; 2) Government should change the rules to require administrators of smaller energy companies to also consider consumer interests and to follow Ofgem rules; 3) Government should amend legislation to require the bills for the Renewables Obligation to be paid more frequently; 4) Ofgem should use its licensing review to take steps to limit excessive customer credit balances, and ensure suppliers have processes in place to protect them https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/SolR%20report%20FINAL_v2.pdf

²⁴ £4.5m was awarded in grants for capital measures installation. Working with our partners, NEA was able to secure £2.5m additional match and/or gap funding securing 49p for every £1 spent. This in turn increased the number of households we were able to assist from 2,166 households receiving at least 1 measure forecast to raise to 2,204 during 2017/18, exceeding the overall TIF target by 48%. In all 2,681 measures were installed, forecast to increase to 2,719 during 2017/18. Alongside this, 292 frontline workers were trained, and 946 residents were directly supported by NEA Project Development Coordinators. 700 engaged in the product monitoring processes.

²⁵ Please read the interim report technical evaluation here: https://www.nea.org.uk/wp-content/uploads/2017/09/TIF_Report_2017-FINAL-FOR-PRINT.pdf.

²⁶ The final Public Accounts Committee report on consumer protection makes 9 recommendations relating to how Ofgem, Ofwat, Ofcom and the FCA can work together, including developing consistent approaches and joint projects. The report can be found here <https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/1752/1752.pdf>

²⁷ Energywise is one of the first projects in Great Britain to specifically target fuel poor customers in order to understand the extent to which they can benefit from smart metering technology. The project, which received funding under Ofgem's 2013 Low Carbon Networks Fund competition, is led by UK Power Networks with NEA as a consortium partner. University College London is the lead academic research institution for the study and British Gas is the energy supplier providing the smart metering technology. For more information on the project, please see our website <https://www.nea.org.uk/research/energywise/>